

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1012 - HB 1857

March 24, 2011

SUMMARY OF BILL: Requires the Department of Transportation (TDOT) to develop a program to provide Transportation Challenge Grants to municipalities with a population of not less than 20,000 nor more than 75,000. Requires funding priorities of such grants to be ranked according to the willingness of an eligible municipality to provide local matching funds equivalent to 35 percent or greater of the total cost for projects which must be located on the state route system. Directs that a maximum of \$15,000,000 in state transportation funding is set aside annually for this grant program.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – \$4,326,900/Permissive

Other Fiscal Impact – In FY09-10, TDOT allocated approximately \$700,000,000 of state funds to transportation projects. Under this bill, \$15,000,000 in transportation project funding will be used for Transportation Challenge Grants in FY11-12 and subsequent years.

Assumptions:

- According to TDOT, the average local match is currently 20 percent.
- If \$15,000,000 of state funds are awarded, the usual 20 percent local match would result in \$3,750,000 of local participation $[(\$15,000,000 / 80\%) - \$15,000,000]$. At 35 percent, local participation would equal to \$8,076,923 $[(\$15,000,000 / 65\%) - \$15,000,000]$.
- Increasing the matching fund from 20 percent to 35 percent will result in a recurring increase in local government expenditures of \$4,326,923 $(\$8,076,923 - \$3,750,000)$.
- There are approximately 25 cities meeting the population criteria. The average increase per city will be \$173,077 $(\$4,326,923 / 25)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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